



**SOUTHWEST GAS CORPORATION**



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January 27, 2009

AZ CORP COMMISSION  
DOCKET CONTROL

Docket Control Center  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996

Re: **Docket No. G-01551A-06-0107; Decision No. 68753**

Pursuant to Commission Decision No. 68753, dated June 5, 2006, Southwest Gas Corporation (Southwest) hereby submits its status report in compliance with its participation in the Transwestern Pipeline Phoenix Project (Project). Southwest is required, every six months beginning in January 2007, or until either Southwest begins taking service from Transwestern or Southwest's participation in the Project is terminated, to file a status report with Docket Control.

If you have any questions concerning the information provided above, please contact me at 702-876-7163.

Respectfully submitted,

*Debra S. Gallo* <sup>By</sup>

Debra S. Gallo, Director  
Government & State Regulatory Affairs

c Bob Gray, ACC  
Brian Bozzo, ACC Compliance

Arizona Corporation Commission

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**Southwest Gas Corporation**  
**Pre-Approval of Cost Recovery for Participation in the Transwestern**  
**Pipeline Phoenix Lateral Project (Docket No. G-01551A-06-0107)**  
**January 2009 Status Report**

Pursuant to Decision No. 68753, in Docket No. G-01551A-06-0107, Southwest Gas Corporation (Southwest) hereby submits its six-month status report on activities related to Transwestern Pipeline's (Transwestern) Phoenix Lateral Project (Project) that have transpired from July 1, 2008 through December 31, 2008.

**Background**

On June 5, 2006, the Arizona Corporation Commission (ACC) issued Decision No. 68753 granting pre-approval of Southwest's cost recovery of the reservation charges, volumetric rate, fuel rate and applicable surcharges related to contracting for capacity in the Project. The proposed Project comprises approximately 259 miles of pipeline that can deliver up to 500,000 Dth/day of natural gas supplies to central Arizona from Transwestern's mainline. The Project will provide shippers direct access to San Juan basin supplies and indirect access to Rocky Mountain basin supplies. The Project consists of three segments, as described in the Staff Report, and Southwest has subscribed to, under a precedent agreement, 75,000 Dth/day of winter capacity (November through March) and 1,000 Dth/day of summer capacity (April through October).

**Project Status**

Southwest relocated its proposed "Sun Valley North" meter station, originally located on Sun Valley Parkway, to Grand Avenue and Deer Valley Road (Grand Avenue meter station). The location of the Grand Avenue meter station will allow Southwest to serve more core demand immediately from Transwestern as opposed to the original Sun Valley North meter station location.

The cost of the Grand Avenue meter station will exceed budgeted estimates by approximately \$82,000. As such, in order to reimburse Transwestern for the additional cost, Southwest agreed to subscribe to 1,222 Dth/day of additional capacity for four months in 2010 (April, May, September and October). Southwest's decision to subscribe to incremental capacity as opposed to reimbursing Transwestern through a contribution-in-aid payment avoided additional costs caused by taxes imposed on contribution-in-aid projects.

Construction of San Juan (New Mexico) Lateral Loops A and B are complete. Transwestern placed both Loops A and B in-service on July 2.

Construction of the Project, from the vicinity of Ash Fork, to near the Aqua Fria LLC Parcel has been completed. The Project has been hydro-tested, purged of air and filled with natural gas.

Construction of the Project from the Aqua Fria parcel to the Project's terminus has been completed. Cleanup, restoration and hydrostatic testing are ongoing. In addition, Southwest's Sun Valley South, APS' Redhawk, Gila River's LR, Southwest's Rainbow Valley, SRP's Desert Basin and APS' Sundance meter stations are ready for gas service commissioning.

Transwestern, on November 4, filed a request with the FERC for an extension of time until April 15, 2009 to complete the Project. The FERC issued its order granting the extension on November 4. On December 11, the ninth Circuit Appeals Court upheld the State of Arizona's lower court ruling denying Transwestern immediate possession of the Aqua Fria River Parcel. As a result of the owner of the Aqua Fria Parcel not being willing to engage in settlement discussions and the unfavorable court rulings; Transwestern filed with the FERC, on December 4, a Request for Approval to reroute a portion (approximately 6,000 feet) of the project to bypass the Aqua Fria Parcel. The majority of the proposed reroute would be on land owned by the Bureau of Reclamation as administered by the Central Arizona Project.

Transwestern performed additional environmental studies for the area affected by the re-route and those studies were forwarded to FERC and various state agencies for review and approval. Based on the current expected timeline, Transwestern expects completion of the project and service will commence to Southwest no later than March 1, 2009.